

## Message Text

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ACTION ARA-14

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L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
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R 041945Z JAN 78  
FM AMEMBASSY TEGUCIGALPA  
TO SECSTATE WASHDC 8998  
INFO AMEMBASSY GUATEMALA  
AMEMBASSY SAN SALVADOR  
AMEMBASSY SAN JOSE  
AMEMBASSY MANAGUA

C O N F I D E N T I A L SECTION 1 OF 2 TEGUCIGALPA 0043  
C O R R E C T E D C O P Y (FOR TEXT)  
EO 11652 GDS  
TAGS: PGOV, PINT, PBOR, ECON, EFIN, HO  
SUBJECT: MELGAR YEAR-END SPEECH

REF: (A) 77 TEGUCIGALPA 6034, (B) 77 TEGUCIGALPA 5860

1. SUMMARY: IN AN IMPORTANT AND GENERALLY UPBEAT SPEECH  
DECEMBER 31, CHIEF OF STATE GENERAL MELGAR DESCRIBED THE  
GOVERNMENT'S ACHIEVEMENTS DURING THE YEAR. HE PROMISED CONTINUED  
IMPLEMENTATION OF AGRARIAN REFORM, PREDICTED AN INCREASE FOR 1978 IN  
1777'S NEARLY 8 PERCENT GROWTH RATE AND A 25 PERCENT GROWTH  
OF EXPORTS. HIS DESCRIPTION OF RELATIONS WITH EL SALVADOR WAS  
VERY CONCILIATORY, EXPRESSING OPTIMISM THAT THE BORDER DISPUTE  
COULD BE SOLVED SOON. REFERRING TO NICARAGUA, MELGAR  
EMPHASIZED THE GOH'S INTENTION OF REMAINING NEUTRAL IN  
THAT COUNTRY'S INTERNAL PROBLEMS. THE SPEECH ALSO PROVIDED  
THE PUBLIC WITH ITS FIRST OFFICIAL, ALBEIT LIMITED, DESCRIPTION OF  
THE RECENTLY APPROVED ELECTORAL LAW (REF A). HE CLARIFIED  
THAT THE LAW IS ONLY MEANT TO APPLY TO THE ELECTION OF DEPUTIES  
FOR A CONSTITUENT ASSEMBLY. MELGAR CLOSED WITH A FULSOME  
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DESCRIPTION OF THE GENERAL TRANQUILITY HONDURAS ENJOYS, COMPARED  
WITH ITS NEIGHBORS, AND A PROMISE TO TAKE WHATEVER MEASURES  
NECESSARY TO ASSURE THAT THIS CONTINUES. END SUMMARY.

2. MELGAR, IN TRADITIONAL END-OF-YEAR SPEECH BROADCAST ON  
NATIONWIDE RADIO AND TV SPOKE FOR ONE HOUR. SPEECH CAN  
BE DIVIDED INTO THREE MAJOR PARTS: (A) ECONOMIC; (B) FOREIGN

RELATIONS; AND (C) ELECTORAL, WHICH ARE REVIEWED BELOW. FULL TEXT BEING POUCHED ARA/CEN/H.

A. ECONOMIC ASPECTS:

IN OPENING STATEMENT MELGAR SAID THAT 1977 HAD BEEN A GOOD YEAR FOR THE COUNTRY, BUT ALSO THAT MUCH REMAINED TO BE DONE. HE MENTIONED ALMOST AT BEGINNING OF SPEECH THE GOVERNMENT'S COMMITMENT TO CONTINUED AND INCREASED IMPLEMENTATION OF THE AGRARIAN REFORM LAWS NOT ONLY IN DISTRIBUTING LAND BUT ALSO IN THE PROVISION OF TECHNICAL AND CREDIT ASSISTANCE. CITING STATISTICS HE ALSO REPORTED:

--A GROWTH RATE OF NEARLY 8 PERCENT IN REAL TERMS, WHICH TOGETHER WITH 6 PERCENT GROWTH RATE IN 1976 SHOWS THAT DISASTER YEARS 1974 AND 1975 HAVE BEEN OVERCOME;

--EXPORTS IN 1977 WERE UP 26 PERCENT OVER 1976 DUE TO GOOD COFFEE AND OTHER PRICES AND RECOVERY OF BANANA PRODUCTION;

--PUBLIC INVESTMENT (FOR INFRASTRUCTURE) INCREASED 28 PERCENT COMPARED TO 1976 IN MONETARY TERMS, AND 17 PERCENT IN REAL TERMS;

--INFLATION WAS KEPT WITHIN REASONABLE LIMITS;  
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--FOREIGN EXCHANGE RESERVES INCREASED BY \$37.5 MILLION;

--EXPORTS ARE EXPECTED TO INCREASE ANOTHER 25 PERCENT IN 1978 OVER 1977'S RECORD FIGURES;

--\$142.5 MILLION WAS INVESTED IN AGRARIAN REFORM IN 1977. MORE WILL BE SPENT IN 1978 ALONG WITH THAT FOR PULP AND PAPER PROJECT, EL CAJON HYDROELECTRIC DAM AND TOURISM EFFORTS.

MELGAR ALSO PROMISED THAT THE GOVERNMENT WOULD CONTINUE AND INCREASE ITS EFFORTS TO STIMULATE PRIVATE INVESTMENT THROUGH INCREASED CREDIT CREATION. HE SOUNDED A WARNING HOWEVER ABOUT THE DANGERS OF INFLATION BECAUSE OF INCREASED GOVERNMENT EXPENDITURES, GROWING PRIVATE INVESTMENT ENCOURAGED BY GOVERNMENT FINANCING AND CREDIT EXPANSION, AS WELL AS STRONGER INTERNAL DEMAND. BECAUSE OF THIS THE GOH WILL APPLY THE NECESSARY FISCAL AND MONETARY DISCIPLINE AND RESTRICT NEW EXTERNAL DEBT. MELGAR SPOKE OF NECESSARY SACRIFICES (AND WHILE NOT MENTIONING THEM IMPLIED THE POSSIBILITY OF NEW TAXES). HE CLOSED ECONOMIC PORTION OF SPEECH BY

DESCRIBING THE MISSION OF THE ARMED FORCES GOVERNMENT AS ESTABLISHING THE BASES FOR SUSTAINED AND ACCELERATED ECONOMIC DEVELOPMENT, GUARANTEEING AN EQUITATIVE BALANCE BETWEEN THE VARIOUS SECTORS OF SOCIETY AND THE VENEFITS OF PRODUCTION.

B. FOREIGN RELATIONS; EL SALVADOR AND NICARAGUA;

MELGAR DESCRIBED THE BASIC TENETS OF HONDURAS FOREIGN POLICY AS: RESPECT FOR SELF-DETERMINATION; NON-INVERVENTION AND COMPLIANCE WITH INTERNATIONAL TREATIES. AFTER A GENERAL REVIEW OF INTERNATIONAL EVENTS (PANAMA TREATIES, SPANISH MONARCHS' VISIT, SAN JOSE HUMAN RIGHTS CONVENTION RATIFICATION) MELGAR TURNED TO:

-- EL SALVADOR:  
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MELGAR EXPRESSED HIS PLEASURE AT BEING ABLE TO TELL PUBLIC ALL INDICATIONS (LEAD ONE TO BELIEVE) THAT THE OLD DISPUTE WITH EL SALVADOR IS ON THE ROAD TO A FINAL SOLUTION. HE REVIEWED STEPS LEADING TO SELECTION OF A MEDIATOR, ASSURED PUBLIC THAT GOH NEGOTIATING TEAM WAS WELL PREPARED AND HAD ADEQUATE BACK-UP. HE SAID HONDURAS' BASIC THESIS WOULD BE "DEFENDED WITH TALENT AND PATRIOTISM WITHOUT IMPLYING AN INFLEXIBLE RIGIDITY..." AND THAT BECAUSE OF THIS HONDURAS ENTERS NEW PHASE OF NEGOTIATIONS "WITH OPTIMISM AND OUR ALREADY DEMONSTRATED DISPOSITION TO ARRIVE AT A RAPID AND DEFINITIVE SOLUTION TO THE PROBLEM..." ESPECIALLY SINCE "UNTIL NOW NOTHING INDICATES THAT EL SALVADOR DOES NOT SHARE THE SAME WISH THAT THE MEDIATION REACHES A SUCCESSFUL END."

--NICARAGUA:  
ACCORDING TO MELGAR, HONDURAS WISHES TO LIVE AT PEACE WITH ALL, BUT "ESPCIAALLY WITH ITS NEIGHBORS." HONDURAS DESIRES A PEACE BASED UPON THE OBSERVANCE OF "ABSOLUTE NEUTRALITY IN PROBLEMS THAT ARE EXCLUSIVELY OF OTHERS." "IN THIS SENSE," HE CONTINUED, HE WANTED "TO EMPHASIZE THAT WE WILL NOT PERMIT OUR TERRITORY TO BE USED AS A SANCTUARY BY GROUPS (READ SANDANISTAS) DEDICATED TO CHANGING THE ORDER OF THINGS IN OTHER STATES AND EVEN LESS WILL WE PERMIT ITS USE AS A HUNTING GROUND BY FOREIGN SECURITY FORCES (READ NICARAGUA)."

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R 041945Z JAN 77  
FM AMEMBSSY TEGUCIGALPA  
TO SECSTATE WASHDC 8999  
INFO AMEMBASSY GUATEMALA  
AMEMBASSY SAN SALVADOR  
AMEMBASSY SAN JOSE  
AMEMBASSY MANAGUA

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C. ELECTORAL LAW:  
MELGAR REFERRED TO THE ARMED FORCES' PROMISES MADE PREVIOUSLY  
THAT THERE WOULD BE A RETURN TO CONSTITUTIONAL RULE AND  
PRAISED WORK OF CHIEF OF STATE'S ADVISORY COUNCIL IN ELECTORAL  
LAW'S PREPARATION. HE DESCRIBED SOME OF THE LAW'S IMPORTANT  
ASPECTS:

--IN ADDITION TO THE (TWO) TRADITIONAL PARTIES, OTHERS WILL  
HAVE THE OPPORTUNITY TO ORGANIZE AND TAKE PART. THERE ARE  
ALSO PROVISIONS FOR INDEPENDENT CANDIDATES.

--REGULATIONS HAVE BEEN INTRODUCED THAT WILL ASSURE THE  
INTERNAL DEMOCRATIZATION OF POLITICAL PARTIES BY  
GUARANTEEING PROPORTIONAL REPRESENTATION FOR MINORITY  
VIEWPOINTS ON THEIR DIRECTING BOARDS.

--WHILE REGULATIONS WILL CONTROL THE FINANCIAL ASPECTS  
OF THE PARTIES TO AVOID THEIR CONTRACTING OBLIGATIONS  
THAT MIGHT AFFECT THEIR ABILITY TO GOVERN IMPARTIALLY  
(I.E., PROBLEM OF DONATIONS) NEVERTHELESS THE LAW DOESN'T  
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TRY TO IMPOSE RIGID NORMS OR TO ENTER INTO MINOR  
REGULATORY DETAILS.

--THE ELECTORAL LAW IS ONLY MEANT TO APPLY TO THE SELECTION  
OF DEPUTIES TO A NATIONAL CONSTITUENT ASSEMBLY THAT,  
REPRESENTING THE HONDURAN PUBLIC, WILL DECIDE WHICH OF  
THE LAW'S INNOVATIONS WILL BECOME PART OF THE NEW CONSTITUTION.

--A NATIONAL ELECTORAL TRIBUNAL IS ESTABLISHED FORMED BY ONE REPRESENTATIVE EACH OF THE PARTIES INDICATED IN THE DRAFT LAW (I.E. NATIONAL, LIBERAL, INNOVATION AND UNITY PARTY AND CHRISTIAN DEMOCRATS WHICH ARE EITHER RECOGNIZED OR WHICH HAVE BEGUN PROCESS OF RECOGNITION).

--OTHER GROUPS WHICH PARTICIPATED IN THE ADVISORY COUNCIL ARE NOT INCLUDED ON ELECTORAL TRIBUNAL (STUDENTS, LABOR, CAMPESINOS) BECAUSE THEY ARE NOT POLITICAL IN THE PARTY SENSE.

--THE NATIONAL ELECTORAL TRIBUNAL WILL DETERMINE THE DATE FOR ELECTIONS.

--A NATIONAL REGISTRATION LAW DRAFTED BY THE ADVISORY COUNCIL WILL NOT BE PROMULGATED UNTIL AFTER THE GOVERNMENT CONSULTS WITH THE NATIONAL ELECTORAL TRIBUNAL, WITHIN 60 DAYS OF THE LATTER'S BEGINNING TO WORK.

3. GENERAL MELGAR THEN EXPRESSED HIS SATISFACTION FOR THE PEACEFUL MANNER IN WHICH THE COUNTRY IS ADVANCING TOWARDS ELECTIONS AND HIS BELIEF IN THE UTMOST IMPORTANCE THAT THIS CONTINUES. HE NOTED THAT IN SPITE OF PROGRESS, MUCH REMAINS TO BE DONE AND TIED FURTHER ECONOMIC GROWTH AND JUSTICE TO MAINTENANCE AT ALL COSTS OF PEACE AND HARMONY WHICH PERMITS PRODUCTIVE WORK. MELGAR EMPHASIZED HONDURAS' LACK OF CONFIDENTIAL

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GUERRILLAS, ASSASSINATION, KIDNAPPINGS, ETC. AT THIS POINT HE REFERRED TO THE ATTEMPTED COUP PLOT OF OCTOBER. HE SAID THAT AMNESTY WAS GRANTED TO THOSE INVOLVED BECAUSE OF THE TRANQUILITY THAT EXISTS IN THE COUNTRY AND EXPRESSED PUZZLEMENT AS TO WHY MUCH OF THE PUBLIC REFUSED TO TAKE THE ATTEMPT SERIOUSLY. MELGAR SAID IT EXISTED AND THAT FAILURE TO ARREST THE PLOTTERS MIGHT HAVE LED TO AN UNNECESSARY BLOOD-LETTING. HE WARNED THAT ANY FUTURE ATTEMPTS WOULD NOT BE MET WITH THE GENEROSITY SHOWN THIS GROUP.

4. THE SPEECH CLOSED BY AGAIN REFERRING TO THE PROMISSARY FUTURE OF ECONOMIC GROWTH, ELECTIONS, RESOLUTION OF THE BORDER DISPUTE WITH EL SALVADOR AND THE COUNTRY'S INTERNAL PEACE AND LIBERTY.

5. COMMENT: PREDICTABLY, IN A NEW YEAR'S SPEECH, THE MAJOR PORTION WAS DEDICATED TO A REVIEW OF THE GENERALLY FAVORABLE ECONOMIC STATISTICS AND PREDICTIONS. IT DOES NOT SEEM UNIMPORTANT THAT THE FIRST IMPORTANT ISSUE MENTIONED WAS THE GOVERNMENT'S CONTINUED DEDICATION TO THE AGRARIAN REFORM PROGRAM, ESPECIALLY AS THIS IS THE FIRST SIGNIFICANT PUBLIC REFERENCE TO AGRARIAN REFORM IN SOME TIME. THE MELGAR GOVERNMENT HAS BEEN LESS ACTIVE THAN ITS PREDECESSOR IN THIS FIELD,

ALTHOUGH SOME WOULD DESCRIBE IT AS MORE RESPONSIBLE. IN WHAT IS GOING TO BE AN ELECTIONEERING YEAR, THIS STATEMENT MAY INDICATE A SHIFT IN POLITICAL EMPHASIS ON MELGAR'S PART DESIGNED TO SEEK MORE ACTIVE SUPPORT FROM THE ORGANIZED CAMPESINO SECTOR.

6. WHILE THE GOVERNMENT POINTED TO GROWING PRIVATE INVESTMENT, THE PRIVATE SECTOR WILL WELCOME THE INDICATION THAT THE PRESENT CENTRAL BANK HIGH RESERVE REQUIREMENTS MIGHT BE RELAXED SOMEWHAT TO PERMIT GREATER CREDIT AVAILABILITY. ALSO IMPORTANT WERE THE PARAGRAPHS DEDICATED TO NICARAGUA AND EL SALVADOR REITERATING THE GOH'S DETERMINATION TO OBSERVE STRICT NEUTRALITY WITH THE FORMER AND ITS DESIRE TO RESOLVE THE BORDER DISPUTE WITH LATTER. MELGAR, WITH EL SALVADOR, IS CONFIDENTIAL

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REFLECTING BOTH THE OPTIMISM WITHIN THE GOH OVER RECENT STATEMENTS BY PRESIDENT ROMERO AND IS SENDING A STRONG SIGNAL OF HIS OWN. WITH NICARAGUA THE GOH SIMPLY DOESN'T WANT TO TAKE SIDES IN AN INTERNAL PROBLEM EITHER FOR OR AGAINST. IT DOES WANT TO CONTROL SUBVERSION BUT AT THE SAME TIME RECOGNIZES THAT THE GENERAL PUBLIC FEELS NO SPECIAL AFFECTION FOR SOMOZA.

7. THE ELECTORAL LAW, AFTER STUDY (REF B) BY THE SUPERIOR DEFENSE COUNCIL (SDC) WAS APPROVED IN ALMOST NO TIME BY THE CABINET. IT BECAME EFFECTIVE ON JANUARY 1. BY LIMITING THE LAW TO ELECTION OF DEPUTIES FOR A CONSTITUENT ASSEMBLY, THE QUESTION OF WHETHER MELGAR CAN OR CANNOT RUN IS OBIATED AND THE ARTICLE PROHIBITING HIS CANDIDACY WAS REMOVED AS NO LONGER RELEVANT.

8. THE EMBASSY UNDERSTANDS THE ECONOMIC ASPECTS OF THE SPEECH WERE DRAFTED BY CENTRAL BANK PRESIDENT GUILLERMO BUESO WHILE FOREIGN POLICY AND ELECTORAL LAW WERE WRITTEN BY HIGH-LEVEL ADVISOR CESAR BATRES. IT SEEMS LIKELY THAT THE REFERENCES TO CONTINUED GENERAL TRANQUILITY AND THE WARNING TO ANY FUTURE COUP PLOTTERS WAS INCLUDED BY MELGAR OR THE SDC. JARAMILLO

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## Message Attributes

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